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FLASH

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Krungsri Research raises Thailand's 2026 GDP growth forecast to 2.1%, driven by investment momentum and improved policy continuity, although external uncertainties and El Niño remain key downside risks.

Key event:

Despite slower growth in 2Q26 amid heightened Middle East tensions, economic momentum is expected to improve in 2H26, driven by strong investment expansion, continued export growth, and a gradual recovery in tourism, while private consumption may lose steam.

Thailand's economy expanded at a slower rate of 1.9% YoY in the second quarter of 2026, compared to 2.8% in the first quarter, as heightened Middle East tensions weighed on economic activity, including private consumption, government spending, and tourism. Surging imports also pushed Thailand into its first current account deficit in eight quarters. **Nevertheless, GDP growth in the second quarter exceeded expectations,** supported by exports, private investment, and inventory accumulation.

In the second half of this year, economic momentum is expected to improve, driven by strong investment momentum, continued export expansion, and a gradual recovery in tourism, while private consumption may lose steam. Key growth drivers are expected to evolve as follows:

- **Private investment is expected to remain a key growth driver,** boosted by strong BOI investment promotion applications, foreign direct investment (FDI), and continued policy implementation. Initiatives such as Thailand FastPass scheme are expected to help accelerate investment realization.
- **Exports should continue to expand, underpinned by AI-related investment and the global electronics upcycle.** However, overall export growth is likely to slow in the second half of the year given softer global demand and potential increases in U.S. import tariffs in both scope and scale.
- **Tourism is expected to recover gradually.** Improving arrivals from China and the Middle East provide early signs of a rebound, although elevated travel costs continue to constrain the pace of recovery.
- **Private consumption is likely to lose momentum in the last quarter of this year.** Although the Thai Travel Plus scheme, to be launched in the fourth quarter, will provide some support, its THB 3.5 billion budget is substantially smaller than the THB 120 billion Thai Chuay Thai Plus scheme implemented between June and September. Moreover, high living costs, potentially weaker farm incomes amid El Niño conditions, and elevated household debt are also expected to constrain household purchasing power.

On monetary policy, **Krungsri Research expects the MPC to maintain the policy rate at 1.00% p.a. through the remainder of 2026.** Although inflation may temporarily rise above the official target range in the fourth quarter of this year, it is expected to return to target by the first half of 2027. With below-potential economic growth and subdued domestic demand, second-round inflation effects are likely to remain limited. Besides, credit growth, particularly among SMEs, remains weak. Taken together, these factors support the case for maintaining an accommodative monetary policy stance throughout the year.

Krungsri Research view:

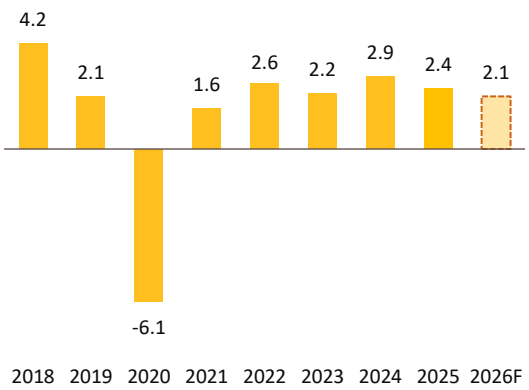
Investment momentum, export expansion and greater policy continuity lift our 2026 growth projection. Geopolitical tensions, trade uncertainty and El Niño weigh on the outlook.

The upward revision to Krungsri Research's 2026 Thailand GDP growth forecast to 2.1%, from the previous estimate of 1.9% (as of May-26), reflects three key factors. **First,** the better-than-expected economic expansion in the second quarter, coupled with strong momentum in private investment and exports, has provided an upside contribution to our latest growth forecast. **Second,** government measures, particularly the energy transition initiatives and investment promotion under the Thailand FastPass program, are expected to provide additional support to growth. However, the positive impact may be constrained by the high import content of energy-related investments, such as solar panel and EV components, as well as historically modest disbursement rates of public investment budgets. **Third,** El Niño conditions are likely to adversely affect agricultural output and farm incomes, thereby acting as a drag on economic growth.

Looking ahead, the Thai economy continues to face several challenges: (1) Geopolitical tensions, particularly the prolonged conflict in the Middle East, which could keep energy and transportation costs elevated. (2) Uncertainty surrounding U.S. trade measures, especially potential import tariffs under the Section 301 investigation into excess production capacity. Furthermore, the U.S. report *'The Great Transshipment Scam'* places Thailand in the Tier 2 category, identifying countries with significant transshipment activity and strong linkages to Chinese supply chains. This raises the risk of closer scrutiny of Thai exports and the possibility of additional U.S. import duties. (3) Fiscal constraints, along with the risk of slower economic activity due to a payback effect following the expiration of stimulus measures. (4) Structural challenges, including weakening manufacturing competitiveness, high household debt, an aged society, and a shrinking labor force. **While external risks are likely to weigh on many economies, El Niño-related impacts and structural constraints may pose significant risks and challenges for Thailand. Therefore, effective and well-targeted economic policies that address structural weaknesses, while preserving adequate policy space to cope with future uncertainties, will be crucial to sustaining Thailand's economic momentum going forward.**

Forecast of Thai GDP Growth in 2026 (%)

Unit: %	2024	2025	2026F
GDP growth	**2.9**	**2.4**	**2.1**
Private consumption	4.4	2.7	2.4
Public consumption	2.6	0.6	1.0
Private investment	-1.9	3.5	8.6
Public investment	4.5	8.9	2.7
Exports (in USD)	5.9	12.7	14.0
Imports (in USD)	5.5	13.0	23.5
Tourist arrivals (mn)	35.5	33.0	32.5
Headline inflation	0.4	-0.1	2.0



Source: NESDC and Krungsri Research

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